What Makes Delhi's Retail Market Tick?

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Delhi Retail Summit 2015 - Background Paper
CBRE INDIA RESEARCH

Contents

Executive Summary

Retail Evolution in Delhi

From being a largely unorganized market with most retail activity concentrated across high streets to being the top city in India in terms of global retailer activity, Delhi's retail market has come a long way. The past decade has been instrumental in shaping retail dynamics in the city; from just one shopping mall in 1999, Delhi currently houses almost 57 mall developments spread over more than 11 million sq. ft. Factors such as a large population base, high propensity to spend, malls being considered as "lifestyle destinations", as well as a relatively more developed intra-city transport network have contributed significantly to the evolution of retail in the city. The brand mix has also evolved considerably—from brands such as Bata, Raymond's and some home-grown department chains to global brands such as Gap, Zara, Mango, Tom Ford, Louis Vuitton , Burberry, amongst others. The rising prominence of India's capital as an attractive retail destination can be gauged from the fact that more than 118 global retailers have either entered or expanded in the city since 2012. The luxury sector has also been expanding its wings in the city, with almost 12 luxury brands such as Bvlgari, Roberto Cavalli, Christian Louboutin having entered the city since 2012.

Retail Spread and Dynamics

The retail market in Delhi is split across four zones: East, West, North and South. South Delhi has the highest concentration of malls in the city accounting for approximately 38% of the total organized retail stock. The micro-market not only has the highest organized stock, but also the highest percentage of prime investment grade malls (73%), thereby justifying its popularity among retailers and consumers alike. Most of these prime developments follow the lease only operation model and employ strategies such efficient mall management, support facilities as well as flexible lease agreements that allow them to operate in a proficient manner. Other strategies such as seasonal themes, pop-up stores, innovative techniques to launch products and customer engagement via social media are also being followed to ensure better visibility and higher footfalls. This leaves a lot to be learnt for a large majority of other retail mall developments in rest of the city that have been operating on the strata-sale model and are not proactively undertaking tenant profiling and zoning. The report discusses as to what makes leading malls in Delhi tick and what strategies can be adopted by malls to remain relevant in an ever changing retail market.

The F&B Nucleus – Delhi

The Food and Beverage (F&B) scene in the Capital has always been vivacious, however the past five to six years have seen a significant change in the way Delhi's restaurants look and serve. Innovative concepts have mushroomed all over the city with each new restaurant trying to experiment and outshine other operators. Customers are no longer satisfied with just good food but also demand other elements such as ambience, entertainment to be integrated within their F&B "experience". Fine dining, international confectionary and bars, which used to be restricted to five star hotels alone, have today spilled onto high-streets and shopping centers, which are lined with standalone casual dine restaurants, pubs, sport bars, lounges, niche bakeries, cafes, etc. As lucrative as the Delhi F&B market is, it however comes with its share of complexities and challenges. Operators are posed with questions such as how many outlets to launch, which micro-market to operate in, which expansion strategy to adopt, whether to be located on a high street or in a mall, among others. They are also devising ways to circumvent challenges such as lack of investment grade space, F&B compatible space, tailoring their menu as per India palates, amongst others. Despite these challenges, the Delhi food market provides significant growth opportunities and operators are willing to take on these challenges to leverage the opportunities.

Technology and Retail – Increasing Linkages

From 200 million internet users in 2013 to over 500 million internet users by 2017—including 314 million mobile internet users—the growth story of internet usage in India is on the upsurge[*]. As a result, e-retail has gained momentum with the widespread use of technology across age and income groups, impacting consumer–retailer dynamics. Online shopping has gained steam clearly elucidated by CBRE's consumer survey, *'How We Like to Shop – 2015'* where 78% of the respondents admitted to shopping online at least once a month. With a large majority of the respondents preferring to use online platforms more often in the coming years, it has become clear that technology is poised to play a larger role in shaping retail dynamics in India.

Online players have been trying to leverage the advent of technology to their advantage. They have been investing heavily in developing applications for their websites in expectation of generating most of their sales through mobile platforms. As almost 76% of the consumers in our survey admitted to using social media to update themselves on schemes at shopping centers, social media is being used as a key customer-engagement tool.

While online retailers are reliant on the use of technology for their businesses to grow, even brick & mortar stores are adopting technology to be an integral part of their business model. The year 2014 alone saw at least 18 global brands (already established with brick & mortar stores) moving online, including brands such as Mango, Aldo, Superdry, Nautica, Tommy Hilfiger, Nine West and Steve Madden. Players are also adopting the 'Omni-channel' with services such as buy online and collect in-store, accept customer returns and refunds for products bought online, store kiosk for browsing and payment for products. Other innovations such as mobile wallets and QR codes are being used to make the shopping experience seamless. Some global innovations such as use of social media response to in-store products to drive sales, enriching the product- trial experience, customer crowdsourcing and using data analytics to personalize customer experience are techniques that are likely to pave way for greater use of technology in the retail industry as a whole. The paper touches upon these topics in detail and discusses the way forward.

* Internet and Mobile Association of India (IAMAI)

Retail Overview – Delhi

Evolution of the National Capital from just a Political Powerhouse to a Shopping Destination

Over the past twenty years, Delhi has evolved from being the chief political center to a major hub for retail and other services industries. Till the 1990s, the Indian retail market was primarily unorganized and dominated by traditional, neighborhood retailers or 'kirana' (Mom & Pop) stores. Most of the retail stores in the country were small, family-run businesses, predominantly relying on household labour. Organized retail was virtually non-existent; and the only organized retail that existed were fashion apparel stores such as Raymonds and Nalli's, all of which operated through their exclusive brand outlets (EBOs) or franchisee outlets. It was only during the 1990s that the wave of liberalization and privatization ushered in new retail formats, paving the way for organized retailers such as Shoppers Stop (1991) and Pantaloons (1997), among others. Moving away from the typical landscape of stand-alone stores, a gradual improvement was witnessed with the introduction of these department stores. While department stores did provide a better "one stop shop" experience, bulk of the city's shopping activity was limited to the high streets such as Connaught Place, Lajpat Nagar and South Extension, clearly highlighting the lack of organized shopping centers, compared to other developed markets across the globe.

The development of organized retail in Delhi began with the commencement of Ansal Plaza on Khel Gaon Marg in 1999. The Delhi Development Authority auctioned land parcels for development of district centers in the city, such as Saket, Vasant Kunj, Netaji Subhash Place and Shivaji Place; eventually leasing to a spurt in organized retail development over the next decade and the rise of 'mall clusters'—a phenomenon particularly prevalent in the city. Once the initial set of malls began attracting consumer footfalls and retailer interest, developers started applying differentiation techniques to ensure enhanced footfalls and bigger catchments. Today Delhi has emerged as the top choice for most global retailers planning to enter the county. It boasts of a wide spectrum of brands ranging from a Splash to a Zara and a Burberry. Dining choices too have become sophisticated with options ranging from McDonalds and Starbucks to Chilli's and Roberto Cavalli Café.

Why Delhi?

Strong Population Base: With a population of 17.2 million in 2013-14[1], Delhi houses one of the largest population bases in the country, far ahead of even leading cities such as Mumbai (12.5 million)[2] and Bangalore (9.5 million)[3]. Retailers in the city have easy access to an existing large catchment, besides an influx of tourists and expatriates. The city also serves as a base to explore North India, besides having established commercial hubs and premium educational institutions (that promote the influx of student population).

High Propensity to Spend: The city, despite having similar levels of an average household income of about INR 1 million p.a. as compared to Mumbai (INR 1.2 million p.a.) and Bangalore (INR 1.1 million p.a.), had the highest annual household expenditure of about 21.6% in 2013-14 on food, clothing and footwear as compared to other metropolitan cities of Mumbai (17.7%) and Bangalore (12.9%)[4].

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1. Indicus Analytics, 2013-14
2. Indicus Analytics, 2013-14
3. Indicus Analytics, 2013-14
4. Indicus Analytics, 2013-14

Malls are a 'Lifestyle Destination': There has been an emerging trend in the National Capital Region (NCR) of malls being perceived as entertainment destinations rather than just shopping centers, leading to rising footfalls. The brand mix of successful malls has thus gone beyond the traditional combination of segments such as apparel, accessories or footwear; and has evolved into including experiential segments such as gyms, spas, salons, and gaming centers as well.

Favorable Geographical Location: Located in proximity to prominent cities of Punjab and Haryana, such as Ludhiana, Amritsar and Chandigarh, allows retailers to cater to a wider population from a store in Delhi. Leading apparel brands and more specifically luxury brands are able to leverage this factor to their advantage due to the novelty factor while entering the country.

Connectivity and Transit Systems: Excellent connectivity within the city via the road and metro rail network has accentuated the ease of shopping across retail destinations, attracting masses from the suburban locations of Gurgaon and Noida. Connection of most shopping destinations with the metro system in particular—regarded as one of the safest modes of public transport in the capital city—has contributed to higher footfalls, attracting crowds of collegiate across the National Capital Region.

Mall Clusters: The city has 'mall clusters' as auction of land by the DDA led to several malls coming up next to each other in Vasant Kunj, Saket and Rajouri Garden. These malls tend to attract high footfalls as they allow consumers to access a larger set of brands as compared to visiting a single stand-alone development. This also allows retailers to gain better visibility and target a larger populace, leading brands to vie for space in these clusters.

Global Retailers Throng the City

The popularity of the Capital as a retail destination is demonstrated by the fact that more than 30 global retailers—including Gap, Sephora, Hackett, Crabtree & Evelyn, Dunkin Donuts, and Brooks Brothers, among others—having chosen it as an entry point into the country over the last three years. There has been a rising incidence of fashion brands expanding within the city, with brands such as Zara, Mango, Aldo, Promod opening more than one store within the city. While global brands from F&B and fashion apparel segments dominate the retail landscape, the city has witnessed a small but sustained flow of global retailers from beauty and cosmetics to electronics and other segments in recent times.

Entry and expansion of global retailers in Delhi
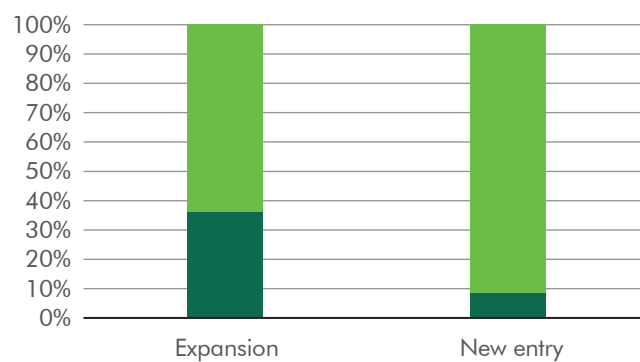
(Figure 1)

No. of Brands
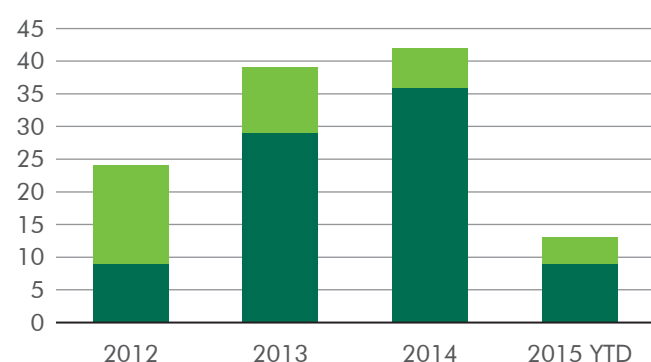
● Expansion   ● New entry

Source: CBRE Research, Q2 2015.

Mode chosen by brands for entry/expansion in Delhi

(Figure 2)
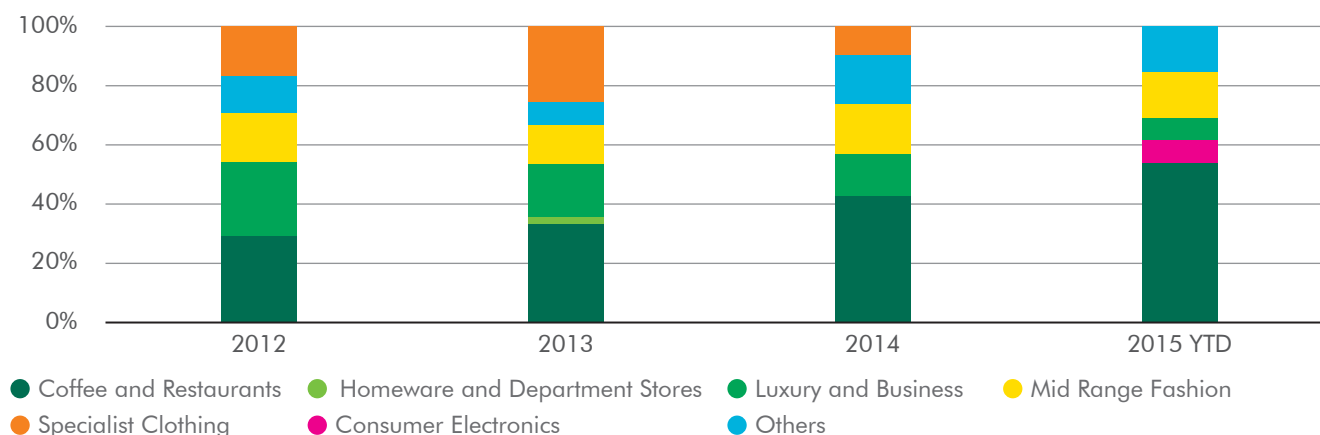
% of brands

● High Street   ● Shopping Centre

Source: CBRE Research, Q2 2015.

Delhi serves as a base for entry and expansion activity of global retailers in the country, with more than 118 brands entering/expanding across the city since 2012. Shopping centers emerge as a clear choice for global players with more than 70% choosing the same for their entry/expansion activities. Most global brands entering the city prefer to locate in a shopping mall and then evaluate options across high streets for expansion activity. This trend is more accentuated across brands in the coffee and restaurants segment.

Segment wise break up of retailer entry/expansion in Delhi (2012-15)

(Figure 3)

(%) Share

● Coffee and Restaurants   ● Homeware and Department Stores   ● Luxury and Business   ● Mid Range Fashion
● Specialist Clothing   ● Consumer Electronics   ● Others

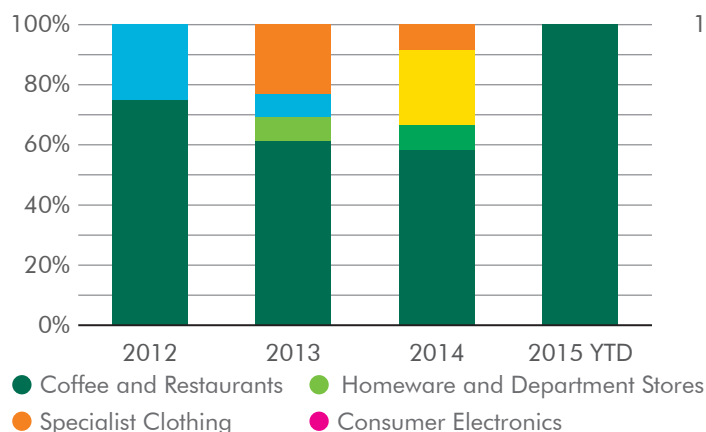*Source: CBRE Research, Q2 2015.*
Note: 2015 YTD is till July 2015

The share of coffee and restaurants as a segment has been fast rising from less than 30% in 2012 to more than 40% in 2014 and more than 50% in 2015 YTD. More than 45 entries/expansions have been witnessed in the city since 2012 including operators such as Wendy's, Starbucks, Burger King, Nandos amongst others.

Segment wise global retailer entry/expansion in Delhi – High Streets
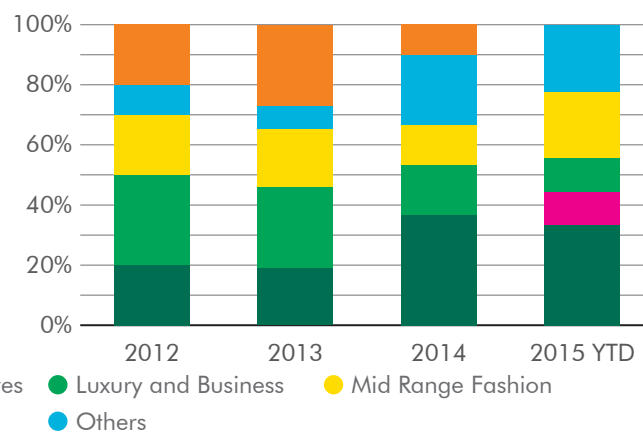
(Figure 4)
% Share

● Coffee and Restaurants   ● Homeware and Department Stores
● Specialist Clothing   ● Consumer Electronics

Segment wise global retailer entry/expansion in Delhi – Malls

(Figure 5)
% Share

● Luxury and Business   ● Mid Range Fashion
● Others

Source: CBRE Research, Q2 2015.

High streets in Delhi are dominated by coffee and restaurants with no presence of luxury brands on the same. In fact, all entries/expansions in 2015 till now have been in the coffee and restaurants segment. On the other hand, malls in the capital have a more diverse mix with brands across categories establishing presence in key shopping centers.

Global Retailers - Delhi versus Mumbai

Delhi and Mumbai are urban agglomerations housing the largest population bases in the country, at 17.2 million and 12.5 million respectively. Not only do the cities have high population bases but are also home to the well-heeled, who are exposed to global trends; resulting in greater acceptance of product/cuisine offerings by such brands/operators. Delhi has an average household income of about INR 1 million p.a. while Mumbai has a household income INR 1.2 million p.a.; both being the two highest in the country. Since Delhi is the national capital while Mumbai is the financial capital, both cities attract considerable foreign tourist influx as well as diplomat and expatriate population.

Global Retailer Entry/Expansions over the Years
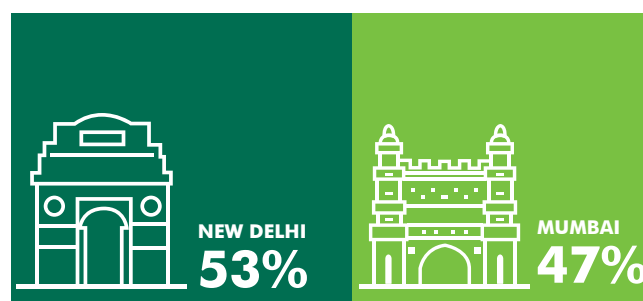
(Figure 6)

(%) Share

● New Delhi   ● Mumbai
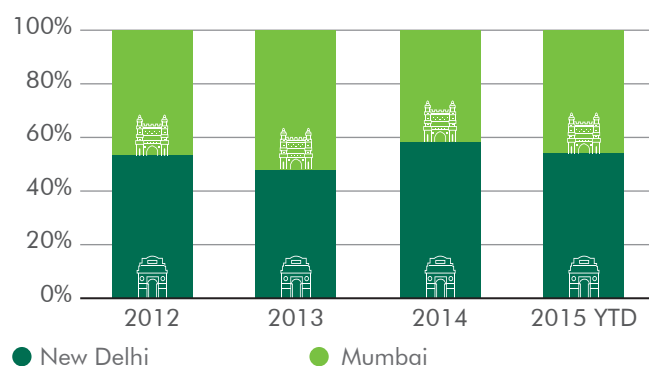
Source: CBRE Research, Q2 2015.

Split of Global Retailer Entry/Expansions (2012-15)
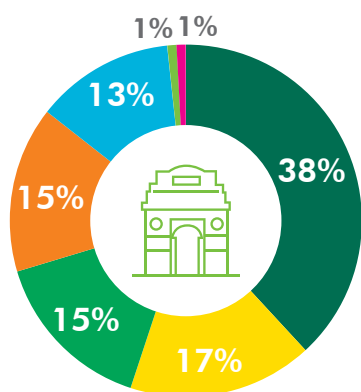
(Figure 7)

NEW DELHI **53%**   MUMBAI **47%**

When we compare both cities in terms of global retailer footprint, Delhi leads in terms of global retailer expansion/entries of new entrants since 2012[5], and 2014 was a particularly good year with more than 42 leading brands entering/expanding in the city.

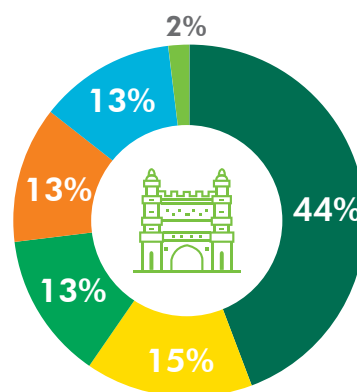## Category wise Split of Global Entry/Expansion (2012-2015 YTD) - Delhi

(Figure 8)

- ● Coffee and Restaurants
- ● Specialist Clothing
- ● Homeware and Department Stores
- ● Consumer Electronics
- ● Luxury and Business
- ● Others
- ● Mid Range Fashion

Source: CBRE Research, Q2 2015.

Category wise Split of Global Entry/Expansion (2012-2015 YTD) - Mumbai

(Figure 9)

While coffee shops and restaurants are slightly more popular in Mumbai, mid-range fashion brands such as Zara and GAP are more popular in Delhi, with retailers in the segment preferring to enter the country with a store in the capital.

Segment wise break up of New Entrants since 2012

(Figure 10)

No of brands

- ● Coffee and Restaurants
- ● Specialist Clothing
- ● Luxury and Business
- ● Others
- ● Homeware and Department Stores
- ● Consumer Electronics
- ● Mid Range Fashion
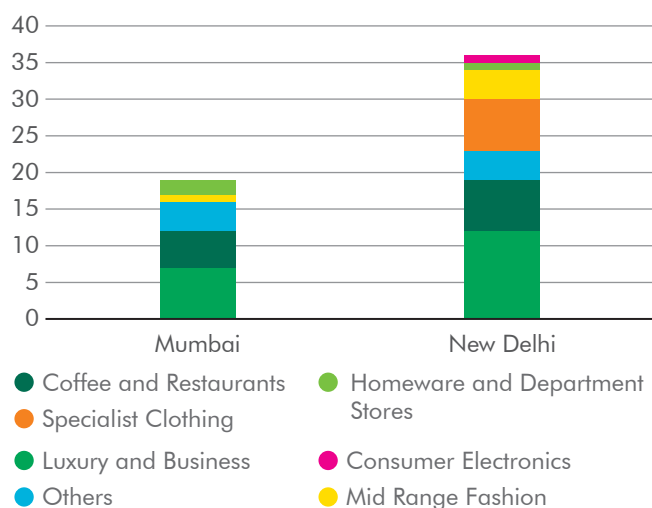
Source: CBRE Research, Q2 2015.

Country of Origin of New Entrants since 2012

(Figure 11)

(%) Share

- ● Europe
- ● Americas
- ● Asia Pacific
- ● EMEA

Source: CBRE Research.

Delhi has attracted around 35 new brands since 2012, including the likes of Bvlgari, Roberto Cavalli, Christian Louboutin, La Prairie and BCBG Maxazria. It has also attracted the highest number of luxury entrants (12) in the past three years.

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5. Cumulative entries/expansions since 2012 to 2015 YTD

Organized Retail in Delhi– Spread and Characteristics

The organized retail market of Delhi is currently spread across nearly 11.4 million sq. ft. with about 57 malls/ mixed-use prime investment, investment and semi-investment grade malls#. Prime investment grade space is concentrated in South (Saket and Vasant Kunj) and West Delhi (Rajouri Garden and Shivaji Park).

Spatial Spread of Malls

(Figure 12)

NORTH DELHI
25%

WEST DELHI
21%

EAST DELHI
16%
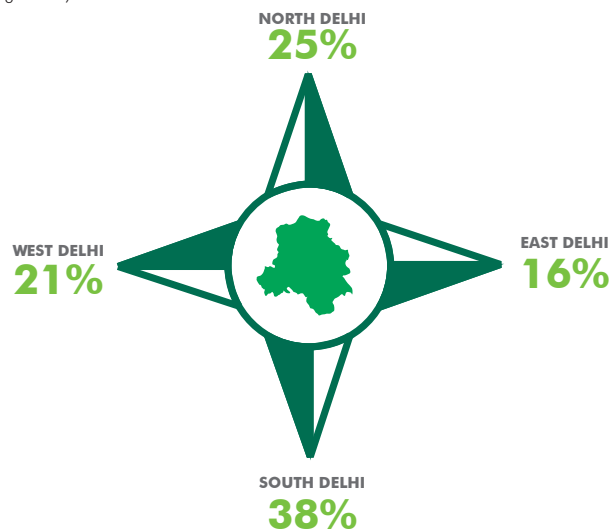
SOUTH DELHI
38%

Source: CBRE Research, Q2 2015.

Grade-Wise Break up of Malls

(Figure 13)

PRIME INVESTMENT GRADE
36%

SEMI INVESTMENT GRADE MALLS
34%

**INVESTMENT GRADE MALLS**
30%

Source: CBRE Research, Q2 2015.

As can be seen above, South Delhi has the highest concentration of malls accounting for ~38% of the total retail stock of Delhi. The micro-market not only has the highest organized stock, but also the highest percentage of prime investment grade malls (73%), thereby justifying its popularity among retailers and consumers alike. While other locations in Delhi cater to local catchment needs, malls in South Delhi are frequented by residents of suburban locations of Gurgaon and Noida as well, since these malls serve as lifestyle destinations.

Grade Wise Split of Malls across Micro-Markets

(Figure 14)

(000,Sq.ft)

- ● Prime Investment Grade
- ● Investment Grade Malls
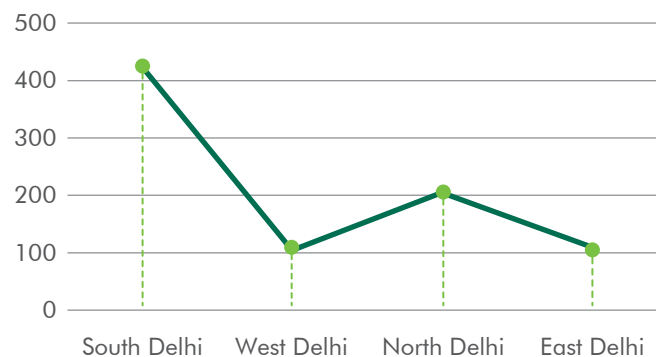- ● Semi-Investment Grade Malls
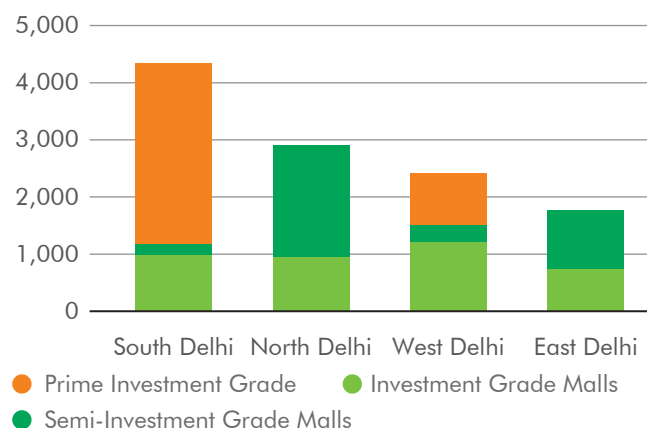
Source: CBRE Research, Q2 2015.

Rentals Trends across Key Markets in Delhi

(Figure 15)

(INR/sq. ft./month)

Source: CBRE Research, Q2 2015.

#. Please refer to notes for definitions.

Success Factors for Shopping Centers

Operation Models

While the city has the highest number of shopping developments as compared to any other metropolitan city in the country, almost 49% of organized space in the city constitutes of developments that have adopted strata sold/sale + lease model. More than 5.6 million sq. ft. of retail space in Delhi is strata sold, impacting the tenant profile and success of a shopping mall as a whole.

Percentage break up of mall space in Delhi

(Figure 16)

SALE + LEASE
22%

SALE
27%
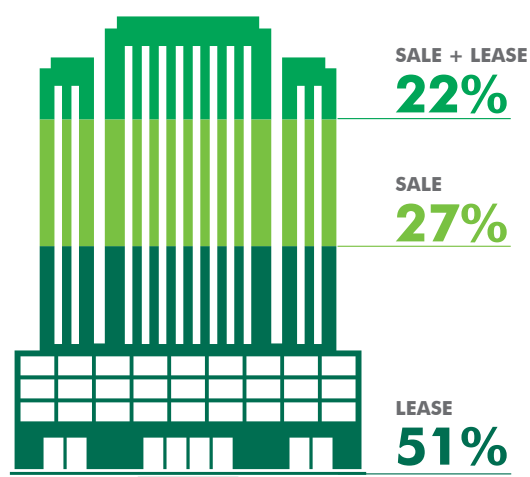
LEASE
51%

Source: CBRE Research, Q2 2015.

Split of mall space as per operation model

(Figure 17)

(%)

- ● Prime Investment Grade
- ● Investment Grade Malls
- ● Semi-Investment Grade Malls

Source: CBRE Research, Q2 2015.

Strata-sold developments have traditionally witnessed chaotic placement of brands (depending on whichever brand leases space of any individual investor), rental instability (different rentals quoted by investor/developer) and subsequent high vacancy levels and lower footfalls. Almost half of the organized space in the city follow a sale / sale + lease model, and is characterized by an unfavorable brand mix leading to high vacancies. Almost 68% of the semi-investment / investment space in the city falls under the sale / sale + lease model, highlighting the inefficiencies of following a sale model. The lease-only model, on the other hand, has been adopted by 84% of prime developments in the city, which has been one of the leading factors in the success of these developments.

Flexible Lease Agreements

The nature of lease terms between the retailer and landlord has evolved to be much more than a legal binding contract in recent times. The days of leasing space for a lumpsome amount have long gone, having been replaced by a direct link between revenues generated and rent paid by tenants. The most popular forms of 'revenue sharing' include paying a 'minimum guarantee' and/or disbursing a pre-decided percentage share of revenues to the developer on a monthly basis. In some cases, developers charge staggered rentals where new entrants are sometimes offered discounts in the initial year, to be eventually made up over a certain period of time. With the joint interest of the retailer and developer in the tenant's revenues, such lease terms have gone a long way in contributing to the success of malls over the years.

Provision of Support Functions

Proficient handling of support mall operations has also become increasingly imperative in recent times. Prime malls offering services such as an ATM, valet services, feeding rooms and in certain cases free Wi-Fi, taxi and pharmacy services. Consumers have thus begun to inevitably view visiting such malls as a form of entertainment, easily spending augmented time in the mall, ultimately leading to increasing revenues on the back of 'impulse' purchases.

Efficient Mall Management

Diligent mall management and a strategic brand mix has kept malls high on the radar of top global retailers, several choosing to commence operations in the country by opening an outlet in these developments, particularly South Delhi malls (in Saket and Vasant Kunj), which are touted as some of the best malls in the country. Mall management teams at these malls decide on the tenant mix, placement of retail stores, revenue targets to decide continuation of lease agreements, and promotions. A lot of thought also goes in deciding the brand mix of the food court- a key draw for families. For instance, My Square, the newly renovated food court at Select CityWalk mall has a touch screen attached to each table for ordering, keeping a track of the order status etc. and has been positioned as a premium food court; thereby likely to result in greater footfalls for the mall.

Strategies to Remain Relevant in an Ever Changing Retail Environment

In Delhi, the sustained success of developments following an optimized operations strategy is quite noteworthy. More precisely, one should closely look at the dynamic strategies adopted by the most successful shopping centers to sustain and further increase footfalls. Effectively implementing similar concepts could contribute to revenue growth of the lesser performing malls and provide a shift in perception of these 'non popular' malls in the mind of the consumer.

Extensive Market Research: It is imperative that a mall is able to define the kind of catchment it is likely to cater to and decide on its positioning—mass, affordable luxury or luxury. There has to be synchronization between catchment and occupier mix as well as clear definition on the type of mall and its target customers. Developers need to be certain whether it will be an entertainment mall, such as Great India Place, Noida, a fashion and lifestyle driven mall such as Select Citywalk, or a destination mall. Most malls are unable to attract crowds because of the inability to define the mall type, lack of information on client type and selection of wrong partners. If a mall places a Zara while the catchment demands Westside or vice versa, the mall will fail to attract footfalls.

Seasonal /Themed Events: An emerging trend of seasonal or themed events held at malls has proved to be a definite attraction for crowds to pour in during such events. These events include those celebrating traditional festivals such as Diwali, Holi or Christmas, wherein the customer interest arises from retailers not only stocking appropriate products, but elaborate decorations across the development which feed into an attractive environment, adding to the festive mood of the buyers.

Innovative Product Launches: Such events generally revolve around a particular theme, such as targeting a select audience (women or children in particular) for product launches. For instance, events such as the 'Treasury of Trousseau' at DLF Emporio will allow couture wedding collections of leading designers at the event. Select malls also host several 'food festivals' or book launches at their developments. The short interval of these events generally contributes to its novelty, increasingly ensuing mall visits being viewed as 'cultural' events.

Pop up Stores: Implementing the concept of 'pop-up stores' or a temporary shop has also contributed to spurts in revenue growth. For instance, DLF Promenade allows for pop-up stores by online fashion retailers, amongst others. Products of such stores serve as a welcome digression in the regular merchandise of a development. The opportunity for outlets to operate for a short duration in prime malls also greatly benefits online retailers or small scale entrepreneurs in exposing niche products to an extensive range of shoppers. Furthermore, the success of such stores widens a developer's experience in gauging consumer sentiments, providing a base for evolving an improved brand mix.

Leveraging Social Media: Another distinguishing factor of prime malls is the rigorous marketing and promotional strategies adopted by these developments. Such malls rapidly recognized the importance of remaining active via social media forums, thereby providing easy access to any information (events, sales, store launches, etc.). An interactive, detailed and updated website, for example, eases planned purchasing or frequenting a particular restaurant over high street/stand-alone places on several occasions. Moreover, such a strategy enhances the positioning of a development as a destination for other new retailers due to the mall's increasing popularity.

Regular Customer Feedback: Malls need to collect feedbacks from visitors to be relevant in all seasons. The operator must do extensive market research and know the target customers and brands. Leading malls have maintained their relevance through soft services and launching new brands to keep customers coming back. For instance, prime malls in the city are able to maintain the right brand mix that it keeps churning to stay relevant to its target customers.

Delhi Retail Spread (Organized Retail & High Streets)

(Figure 18)

HIGH STREETS

1. **KAROL BAGH |** MAJOR BRANDS: MCDONALDS, SUBWAY, KFC ETC
2. **RAJOURI GARDEN |** MAJOR BRANDS: DUNKIN DONUTS, KFC, SUBWAY ETC
3. **CONNAUGHT PLACE |** MAJOR BRANDS: STARBUCKS, NANDO'S, DUNKIN DONUTS, BURGER KING, ETC
4. **KHAN MARKET, PANDARA ROAD |** MAJOR BRANDS: BARCELOS, HARRY'S, VERO MODA ETC
5. **BASANT LOK |** MAJOR BRANDS: GLORIA JEAN'S COFFEES, LE MARCHE-SUGAR AND SPICE, BARISTA ETC
6. **SOUTH EXTENSION |** MAJOR BRANDS: LACOSTE, TOMMY HILFIGER, MCDONALDS ETC
7. **M BLOCK GREATER KAILASH |** MAJOR BRANDS: ESPIRIT, BENETTON, COFFEE BEAN AND TEA ETC
8. **HAUZ KHAS |** MAJOR BRANDS: SOCIAL, MIA BELLA, THE BEER CAFE
9. **NEHRU PLACE |** MAJOR BRANDS: BURGER KING, STARBUCKS, DUNKIN DONUTS

ORGANIZED RETAIL

1. **DISTRICT CENTRES AT SHIVAJI PLACE:** RAJOURI GARDEN, SUBHASH NAGAR MALLS: CITY SQUARE MALL, TDI MALL, WEST GATE MALL, PACIFIC MALL | MAJOR BRANDS: ZARA, JACK AND JONES, VERO MODA ETC
2. **ROHINI AND PITHAMPURA:** MALLS: METRO WALK MALL, M2K MALL, D MALL | MAJOR BRANDS: PANTALOONS, REEBOK, NIKE, ETC
3. **NETAJI SUBHASH PLACE DISTRICT CENTRE:** MALLS: PEARLS OMAXE MALL, NORTH SQUARE MALL, D MALL MAJOR BRANDS: HALDIRAM, NIRULAS, KALPANA, ETC
4. **DISTRICT CENTRE AT VASANT KUNJ:** MALLS: DLF PROMENADE, DLF EMPORIO, AMBIENCE MALL, BRANDS PRESENT: LOUIS VUITTON, BULGARI, ZARA ETC
5. **DISTRICT CENTRE AT SAKET:** MALLS: SELECT CITY WALK, DLF PLACE, MGF METROPOLITAN MALL MAJOR BRANDS: ZARA, GAP, ALDO, GUESS, CHARLES & KEITH, ETC
6. **EAST DELHI:** MALLS | CROSS RIVER MALL, V3S EAST CENTRE | MAJOR BRANDS: PANTALOONS, HALDIRAM, FUN CINEMAS, ETC

Source: CBRE Research, Q2 2015.

What's Cooking in Delhi's Shopping Cauldron?

The Food and Beverage (F&B) scene in the Capital has always been vivacious, however the past five to six years have seen a significant change in the way Delhi's restaurants look and serve. Earlier, the market used to be clearly demarcated between fine dining restaurants and value-for-money family eateries. Fast food joints such as Nirulas and Wimpy's were extremely successful, but the market lacked restaurants that offered global cuisines with the right ambience. Malcha Marg was one of the few markets that had an F&B "cluster" of sorts, and also housed restaurants that in a way experimented with their cuisine to cater to the nearby expatriate population. Today, the lines are blurring fast with a newer breed of restaurants filling in the gap. Ambience has become a game changer as customers are no longer only interested in the quality of food, but place significant emphasis on the overall ambience and quality of service as well. Delhi's standalone restaurants have come a long way from serving predominantly 'North Indian Food' to offering world cuisines such as Japanese, Chinese, Italian, Mexican, French, and Mediterranean, among others. Fine dining, international confectionary and bars, which used to be restricted to five star hotels alone, has today spilled out into our streets and shopping centers, which are lined with standalone casual dine restaurants, pubs, sport bars, lounges, niche bakeries, cafes, etc. A key retail hub that deserves mention is DLF Cyberhub in Gurgaon (in close vicinity to Delhi). It is a contiguous F&B destination spread across 200,000 sq. ft. in DLF Cybercity. The retail podium, currently one of a kind in the country, boasts of housing nearly 50 operators across multiple formats and cuisines, redefining the culinary landscape across NCR.

As lucrative as the Delhi F&B market is, it however comes with its share of complexities and challenges. Operators are posed with questions such as how many outlets to launch, which micro-market to operate in, which expansion strategy to adopt, whether to be located on a high street or in a mall, among others. This section discusses this and more in detail.

How Many Outlets?

The number of outlets within a city has a direct correlation with consumer proximity and ticket size. Most mass market restaurants have chosen to expand with numerous outlets within the city, with a healthy mix of stores in malls as well as across high streets. In comparison, casual diners/clubs generally tend to limit their presence to prime locations of either high streets or shopping centers. For instance, Starbucks, a leading coffee chain, opened at least 12 outlets in its first year of operations across leading malls and high streets in the National Capital, as compared to the American burger chain, Johnny Rockets, which chose to open outlets in three prime shopping malls in the Capital. Quick Service Restaurant (QSR) brands are able to follow a carpet bombing approach, ensuring a greater footprint. This is largely possible as the space uptake by such brands is lower than that needed by a lounge/casual dining outlet. Food courts also provide good expansion opportunities for QSRs that are not available to a casual dining restaurant or a lounge.

Which Micro-Market?

Owing to its vast geographical spread and a large number of traditional high-streets and other retail zones, Delhi offers F&B retailers numerous location opportunities. Restaurants are widely scattered across the city in established high-streets, shopping malls (mostly developed within district centers), and other popular retailing / transportation / commercial hubs. South Delhi is one micro-market that accounts for numerous notable F&B clusters including Hauz Khas Village, Greater Kailash, Safdarjung Development Area, Defence Colony, Green Park Market as well as the only food mall in the city - Epicuria. Hauz Khas Village and Epicuria have emerged as exclusive hubs for clubs/pubs and casual dining restaurants, with numerous options available in close

proximity. Elsewhere, the Central Business District (CBD) of Connaught Place has also been gaining popularity as a prominent F&B destination; largely owing to its central location, proximity to commercial establishments, availability of adequate floor plates, as well as extensive metro connectivity.

Prominent global operators that opened outlets in South and Central Delhi include Starbucks—opening its first outlet in Connaught Place; and Nandos which opened its first outlet in South Delhi, following up with a store in Connaught Place. Other less prominent yet established retail clusters which account for a significant share of the F&B pie in the city include West Delhi (Rajouri Garden, BK Dutt Market, Club Road (Punjabi Bagh)) and North, North-West Delhi (Netaji Subhash Place). However, most of these clusters are dominated by good quality albeit domestic chains with limited presence of global players.

High Street or Shopping Center?

The decision of any F&B operator to locate on a high street or a shopping center has generally been dependent on the target catchment and the associated real estate and maintenance costs. For instance, most mass market restaurants (mainly coffee chains and fast food operators), typically prefer to locate across a plethora of high streets as well as shopping centers across various parts of the city. This is in contrast to casual diners or clubs (catering to a niche clientele), which prefer premium shopping centers or leading high streets. Another key factor is the store size and alterations allowed. While alterations are incorporated across both formats, it's typically easier to modify store sizes in a shopping center vis-à-vis a high street. Mall developers also consider F&B as an important part of their overall development and zoning strategy for their properties, gradually allocating a larger share to F&B operators over the past few years— typically allowing for better positioning for F&B retailers while resulting in more footfalls for the mall.

Expansion Decision – Intra-City or Inter-City?

The decision of expanding within any city vis-à-vis expanding to other cities has been typically dependent on operators already having a central kitchen or an established back-end chain, resulting in ease of opening multiple outlets in quick succession. American burger chain, Dunkin Donuts, expanded within New Delhi, and opened at least five outlets before moving to Mumbai due to high investments made for setting up operations in the capital. Operators generally look at leveraging existing capacity before moving over to another city. However, the impact of opening outlets across cities leads to a national brand presence. Global operators such as Starbucks, Burger King, and Pizza Express chose to open outlets across key cities such as New Delhi and Mumbai within a span of a few months. When Burger King began operations from Delhi late last year, it announced its intention to open 12 outlets in three months—largely in Delhi and Mumbai. Certain global players, however, look at a regional focus— Wendy's, for instance, has stated that the brand will first look at North India before expanding to other parts of the country.

Delhi – The F&B Capital of the Country

Whenever there is talk of setting up F&B operations – generally Delhi and Mumbai emerge as the first two names that any leading operator thinks of. In order to understand the F&B dynamics across these two leading hubs, CBRE conducted a detailed analysis of premium high streets/shopping centers in the two cities, to outline the footprint of quality F&B operators. While the actual F&B footprint in the cities is much higher, however certain filters such as location, average cost of a meal, store size and restaurant positioning have been applied to arrive at the analysis.[6] More than 800 restaurants/pubs/ cafes/ QSR's were considered across prominent high streets/malls for arriving at the following inferences. Global as well as leading domestic operators were a part of this analysis.

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6. Filters such as store size, average cost per customer, restaurant positioning have been put to arrive at the number of restaurants for the analysis.
Barbeques and small take away joints have been excluded. Restaurants in five star hotels have been excluded. Please refer to footnotes for further details.

F&B Footprint – Delhi and Mumbai

While both Delhi and Mumbai have a thriving F&B sector, the sector's growth curve has been different in both cities due to their inherently diverse characteristics. Government auction of land parcels and relatively higher availability of land parcels in Delhi resulted in 'cluster growth' of shopping centers and high streets across different zones in the city. On the other hand, paucity of land parcels have led to a far more sporadic development of the retail sector in Mumbai, resulting in shopping centers being peppered across the city.

Number of F&B operators in Delhi and Mumbai

(Figure 19)

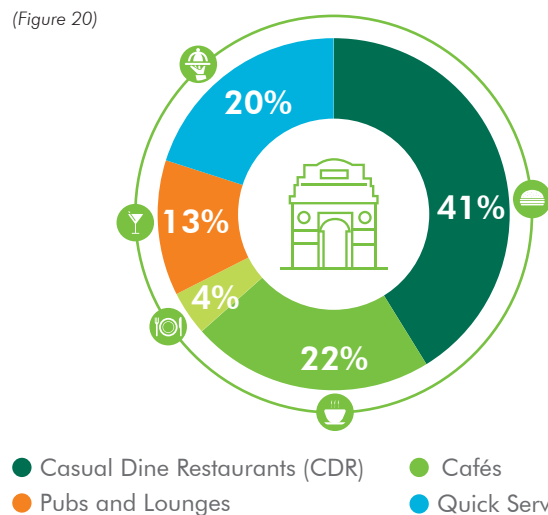No. of Outlets

● High Street   ● Shopping Centre
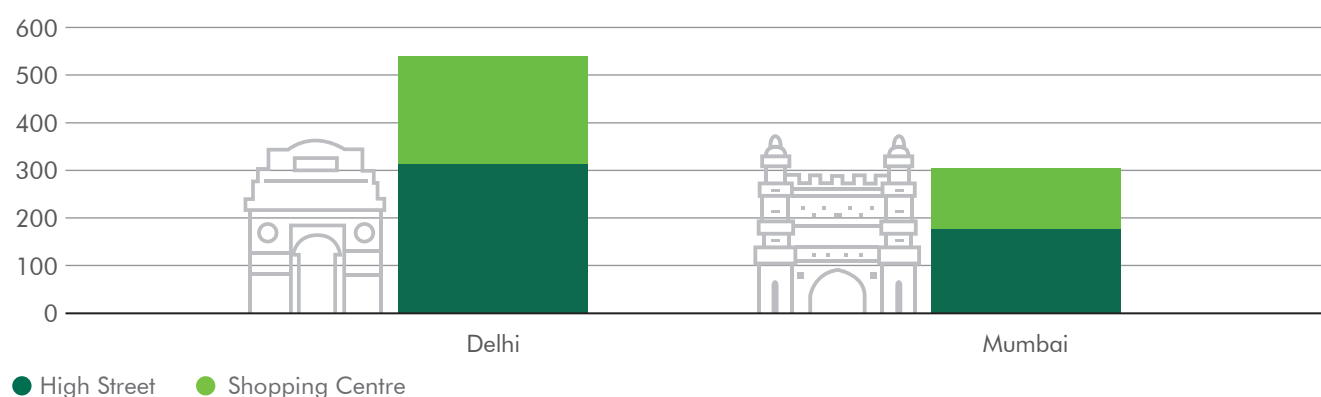
Source: CBRE Research, Q2 2015.

As per our analysis, Delhi houses more than 500[7] restaurants across leading high streets/malls as compared to about 300 restaurants in Mumbai. Delhi has numerous F&B clusters, however the most dominant and popular joints are in South Delhi—markets such as Hauz Khas, Green Park and Safdarjung Development Area are in very close proximity and house more than 80 such restaurants. On the other hand, prominent high streets in Mumbai such as Colaba Causeway and Linking Road house a significant number of domestic and local F&B outlets, but these options are widely scattered and a large majority of them (while being popular locally) cannot be classified as a proper restaurant/casual dining. A large proportion of eateries in Colaba for instance would be local-bred takeaways, barbeques and quick bite formats.

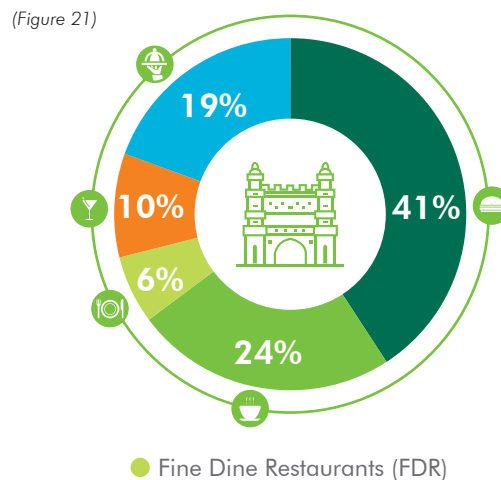### Category wise Split of Restaurants in Delhi

(Figure 20)

Category wise Split of Restaurants in Mumbai

(Figure 21)

● Casual Dine Restaurants (CDR)   ● Cafés   ● Fine Dine Restaurants (FDR)
● Pubs and Lounges   ● Quick Service Restaurants (QSR)

Source: CBRE Research, Q2 2015.

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7. Please refer to end notes for a list of the markets and methodology used to arrive at the number of restaurants
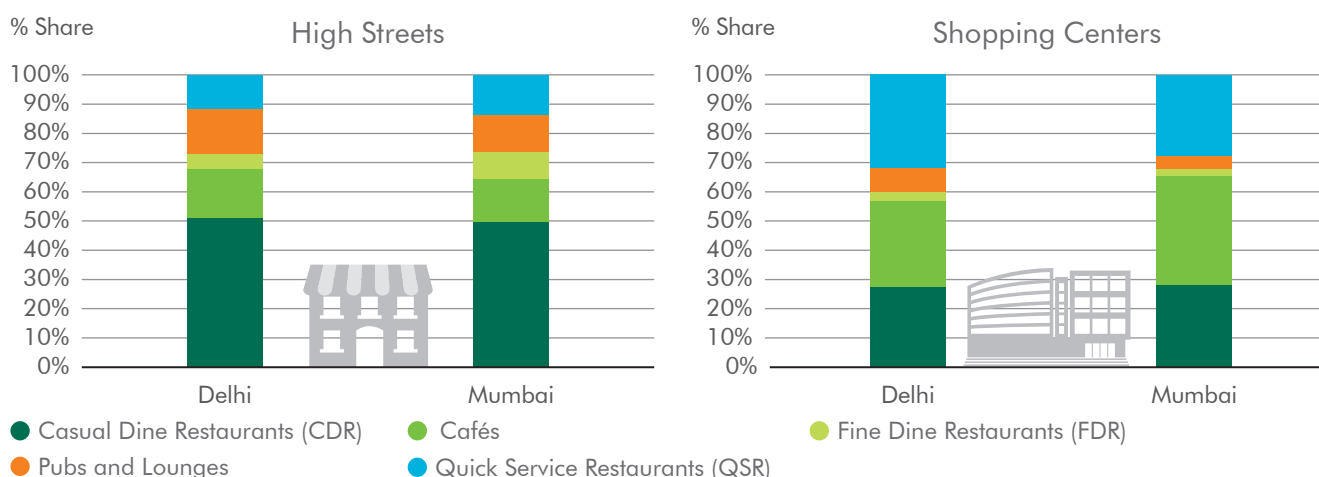
In terms of categories, casual dining restaurants lead in Delhi with more than 40% of outlets belonging to this category, followed by cafes (24%). The trends are almost similar in Mumbai, with both cities having an almost identical split of restaurant categories. Delhi is always ready to try new-fangled and different concepts; as a result there has been a dilution in the differences across formats in recent times. Innovation and reinvention in cuisine/ambience have been the basic themes for domestic chains, leading to several successful gastronomic experiments originating in the city, including Indian Accent, Farzi Café and Soda Bottle Openerwala, amongst others. These chains have successfully incorporated Indian-fusion in their offerings, thereby encouraging transformation in the traditional Indian palate.

Casual Dine Restaurants Prominent in High Streets, Cafes dominate Shopping Centers

While Delhi high streets do have an almost 75% higher footprint of F&B brands than Mumbai, however, on comparing key high streets across Delhi and Mumbai, a similar split of F&B operators emerged. The presence of CDR's dominates these destinations—Delhi (51%) and Mumbai (50%)—followed by café's—Delhi (17%) and Mumbai (15%)—. FDR's while preferring high streets over shopping centers, as expected constituted the least shares in both cities,—Delhi (5%) and Mumbai (9%)—largely because of the fact that most fine dining restaurants in these cities are still located in five star hotels.

Category wise split of Restaurants across High Streets and Malls

(Figure 22)

- ● Casual Dine Restaurants (CDR)
- ● Cafés
- ● Fine Dine Restaurants (FDR)
- ● Pubs and Lounges
- ● Quick Service Restaurants (QSR)

Source: CBRE Research, Q2 2015.

In terms of malls also, the analysis reveals that Delhi has an edge of more than 75% over Mumbai in terms of F&B footprint. However, malls have a slightly divergent trend as café's emerged dominant in shopping centers in both cities; with cafes forming 37% of the restaurants in Mumbai shopping centers as compared to 30% in Delhi. QSRs were the other dominant category, with Delhi leading slightly. Close to 32% of the restaurants in malls belong to the QSR category, with Mumbai stands at 28% for the same category.

Global F&B Operators – Delhi and Mumbai

The emergence of Delhi as an attractive destination, particularly for global operators can be witnessed with the increasing number of international chains making their foray and/or expanding within the city. As showcased on the timeline, 19 operators opened their first store in the Capital over the past three years, transforming formats, quality and choices offered across various price points.

F&B Timeline of Delhi

(Figure 23)

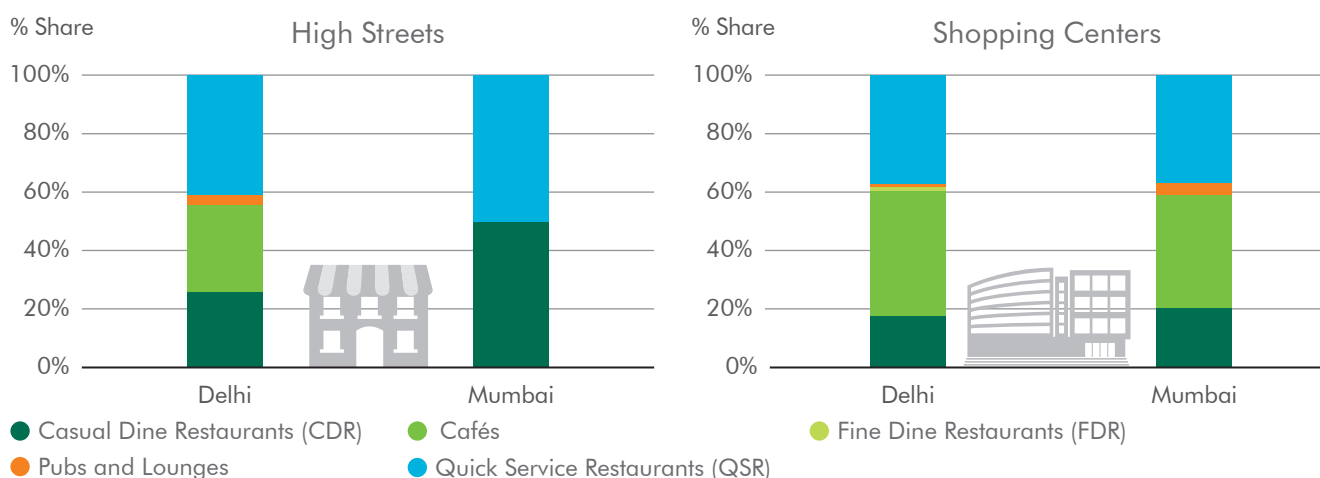|	2012	2013	2014	2015 YTD
ENTRY INTO THE COUNTRY	American Fast Food Chain Dunkin Donuts entered into the country and opened 4 outlets by the end of the year. European operators continue to make their foray into the country with French restaurant B Bar and luxury operator Roberto Cavalli Café.		American burger chains Burger King and Johnny Rockets enter into the country, and open 2 outlets each by the end of the year.	Restaurant chain Barceló's entered into India by opening an outlet in Delhi.
ENTRY INTO THE CITY	American casual diner Chili's opened their first outlet in the city.	American coffee chain Starbucks opened its first outlet in the city and opened 3 outlets by the end of the year. Global F&B Chains including Yauatcha, La Tagliatella, Harry's and Krispy Kreme their first outlet in the capital city.	Pizza Express , Movenpick, Royce Chocolates and Nandos open their first outlet in Delhi. Pita Pit opened its first two outlets in Delhi.	Taco Bell and Sbarro open their first outlet in Delhi.
EXPANSION		Fast Food Chain Dunkin Donut expanded their footprint by opening 5 more outlets. Coffee Bean, Tea and Leaf expanded within the city and opened another outlet.	Restaurant chains such as Harry's, Krispy Kreme and Chillis continued to expand within the city. Fast Food Chain Dunkin Donut expanded their footprint by opening 5 more outlets.	

Source: CBRE Research, Q2 2015.

The prominence of Delhi as an F&B destination can be gauged from the fact that Delhi houses about 100 global outlets as compared to more than 60 in Mumbai across leading shopping centers and high streets. Most global F&B operators were located in shopping centers in both cities of Delhi (73%) and Mumbai (80%), revealing the comfort of such retailers to operate out of shopping centers over high streets.

An insight into global F&B operator footprints across high streets in both cities revealed the capital's high street cluster growth attracting global operators across different categories, as compared to high streets in Mumbai which currently houses predominantly global CDRs and QSR's.

Category wise split of Global Operators on High Streets and Malls

(Figure 24)

% Share — High Streets
% Share — Shopping Centers

- ● Casual Dine Restaurants (CDR)
- ● Cafés
- ● Fine Dine Restaurants (FDR)
- ● Pubs and Lounges
- ● Quick Service Restaurants (QSR)

Source: CBRE Research, Q2 2015.

The trend across malls however was more uniform, with global F&B operators displaying a similar mix across categories. While casual dining still dominates malls across both cities, but the presence of global pubs/lounges is limited as currently this segment has a larger presence of domestic operators.

F&B Players Face Numerous Challenges

The city allows F&B operators with tremendous growth opportunities, but like any other business it also has challenges that players need to tackle. Apart from the usual feasibility concerns regarding location, size, set-up operations, relevant consumer base and costs, F&B operators face their own set of challenges while choosing a location for a new outlet.

Lack of Investment Grade Space: The availability of investment grade space has become a crucial factor in determining the location of an operator in recent times. With only a third of malls in the national capital constituting prime investment grade space, negligible vacancy levels in these developments have led to operators (particularly domestic) choosing high street destinations for operating within the city.

Finding F&B Compatible Space: Setting up operations across any format requires the format to be 'F&B compatible' in terms of an adequate back-end chain, product supply, logistics, availability of ingredients, storage facilities, machinery and support services such as gas supply, drainage and exhaust systems. However, prime shopping centres often ease up the setting up operations for F&B chains, with most developers willing to take up ~70% of the costs involved in order to make a store 'F&B compliant'.

Desirable Floor Plates: F&B players, especially ones in the casual dining, pubs and fine dine category require a minimum floor size to provide the desired experience. Bars need to separate the drinking area from the dining while clubs with live performances need to have separate podiums/performance areas. Most high streets in Delhi do not have adequate floor plates to accommodate such players. Another problem with high streets remains the lack of desired ceiling heights. Most malls provide 4.5 metres of ceiling height, whereas high streets are usually restricted to 3.5 metres, which does not give the desired ambiance for an F&B outlet. As a result either the player end up compromising on the desired layout or takes up two floors in the same building.

Tailoring Menus as per Indian Palates: While the launch of global brands in a new country requires an understanding of indigenous consumer taste, F&B operators entering in India have been known to significantly customize their menus. Several restaurants have had to introduce exclusive vegetarian meals in order to be easily

accepted by Indian consumers. McDonalds, Dunkin Donuts, Chili's and Johnny Rockets amongst other operators are examples of restaurants successfully adapting their menus to suit the Indian consumer palate.

Sourcing of Raw Materials: Availability of raw materials for these global cuisine restaurants continues to remain a key challenge faced by F&B operators. For instance, availability of meat and other ingredients for cuisines such as French, Italian, Portuguese, and Japanese can prove to be a barrier in locating across formats. But operators have found a way around – the menus have become seasonal and have been infused with local ingredients; wherever possible.

High Taxes: Food taxes in Delhi are among the highest as customers end up shelling up more than 30% effective tax which includes service charge (a common practice now), service tax and value added tax. The recent revision in the service tax from 12.36% to 14% is going to lead to a further increase in effective tax. This is sharp in comparison to other cities such as Hyderabad, Pune or Bangalore (where VAT charges on beverages and alcohol are much lower). The prohibitive rentals in Delhi also add further pressure on operators for arriving at the right price points.

However, Opportunities Loom Large

Beverage Boom: Beverages are no longer a sideshow. Restaurants are intertwining beverages as an integral part of their menu and not just something to be had alongside food. Restaurants are making innovations in both alcoholic and non-alcoholic beverages to ensure that these remain a key draw. Since alcoholic beverages is a high margin business, which in turn drives up food sales as well (with consumers spending more time at the table), it is being leveraged by restaurants to drive up sales.

Changing Taste Pallets/Acceptance of Global Cuisines: The Delhi consumer has been evolving fast and is increasingly willing to try and adapt to global cuisines. In the past, niche segments such as Japanese cuisine, Italian cuisine, coastal cuisine, used to be restricted to five-star restaurants, however, such restaurants have now become commonplace. Confectionary was also the forte of five star hotel bakeries, however, the city is now flaked by niche confectionaries (Elma's, L'Opera, Big Chill Cakery, etc.). As health consciousness is increasingly kicking in, healthy eating restaurants (Lean Chef, Yoga Café) have sprung up in the past two years, catering to the increasingly cosmopolitan customer in the Capital.

Format Innovation/Flexibility: Just having multi-cuisine restaurants has now become passé, 'concept' restaurants are innovating newer formats such as 'café + bar' or a 'bar + lounge', among others. Several clubs/pubs allow stand-up comedians along-slide musicians and other artists, while book cafés such as Cha Bar and Café Turtle in Central Delhi ensure longer visits, resulting in a higher spend per customer. Social, a pub in Hauz Khas Village is another instance of providing value added services, which is amongst the first to offer quality workspace options along with the dining experience. The recent allowance by the government to allow for micro-breweries to set up in Delhi will allow for more innovation to the capital's food scene.

New Modes of Customer Engagement Available: Social media is becoming a key medium of interacting with clients and create brand awareness, thereby allowing for a greater buzz about the brand. It no longer takes ages for reputations to form as social media (Facebook, Twitter, Zomato, Burrp) allows for word to travel fast on a good restaurant. As photos are shared and published in 'real time" along with numerous websites that have restaurant reviews and menus, a customer is able to get an almost virtual visit, even before stepping into the restaurant. These mediums are leveraged effectively allowing brands to inform consumers about existing and new products, store openings, media coverage, promotions and offers.

Tapping Transit Systems: Delhi has witnessed a rapid transformation in its network systems with development of the metro as well as the redevelopment of the airport. The metro network of Delhi is widespread and is under further expansion. Not only does it allow for greater access to existing high streets and malls, but also provides scope for development of F&B in and around the metro stations. The T3 on the other hand, has more than 150 retail outlets showcasing close to 500 brands. It provides tremendous scope for F&B in particular, which has a higher chance of "impulse purchase" than most other categories. Also, the commencement of operations by Worldmark , a mixed use development at Aerocity will provide further impetus to F&B around the airport.
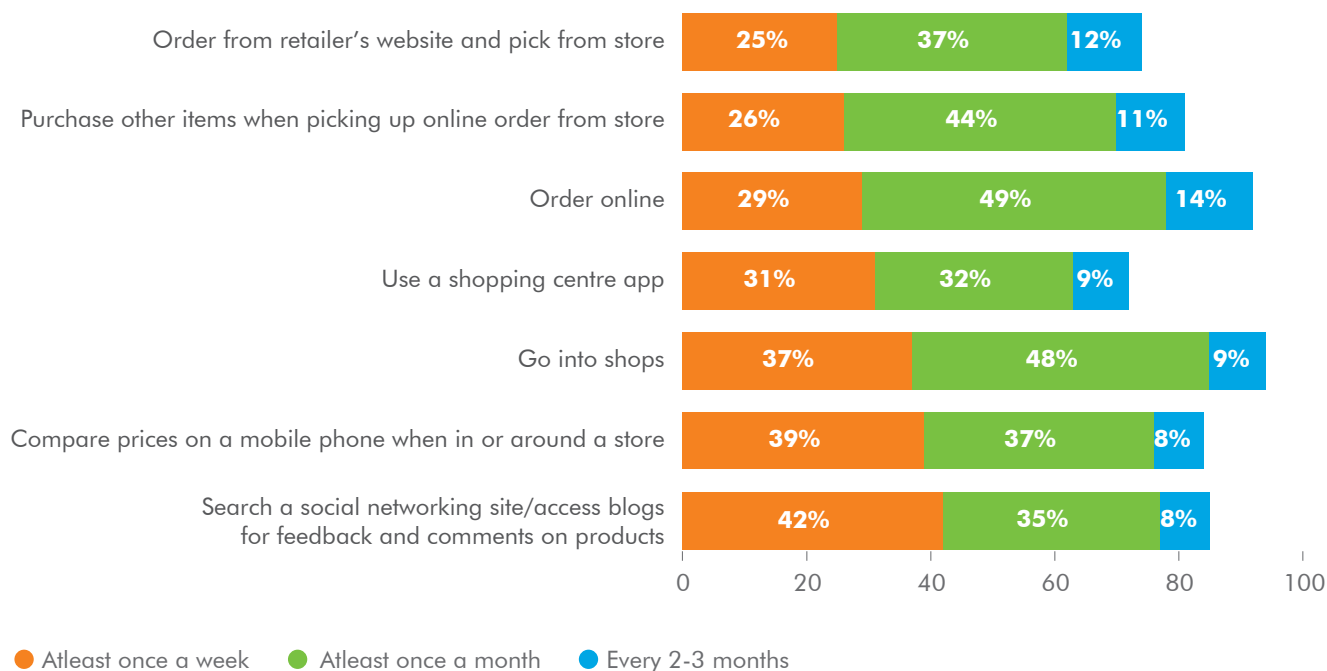
Empowering Brands and Shoppers Through Technology

The impact of technology in simplifying consumer lives can be witnessed by the increasing use of laptops, tablets, smartphones and desktops. From 200 million internet users in 2013 to over 500 million internet users by 2017—including 314 million mobile internet users—the growth story of internet usage in India is on the upsurge[8]. As a result, e-retail has gained momentum with the widespread use of technology across age and income groups, impacting consumer–retailer dynamics.

Online retail has become one of the most vibrant segments of the retail sector, with technology allowing the segment to magnify its customer outreach manifold. Apart from the convenience of purchasing almost anything at any time, online shopping portals allow the consumer a wider variety of choice at different price points. CBRE conducted a consumer survey, *'How We Like to Shop – 2015'*[9], to understand shopping patterns of consumers in India. The survey throws up some interesting findings on the online segment as well and its rising prominence, with 78% of the respondents shopping online at least once a month. Respondents were also quizzed on what they expected to do more often in the coming two years. Almost 67% responded that they were likely to shop from a desktop / laptop more often; while around 59% expected to use tablets / smartphones more often to shop online. With a large majority of the respondents preferring to use online platforms more often in the coming years, it has become clear that technology is poised to play a larger role in shaping retail dynamics in India.

Activity frequency of consumers

(Figure 25)

Activity	Atleast once a week	Atleast once a month	Every 2-3 months
Order from retailer's website and pick from store	25%	37%	12%
Purchase other items when picking up online order from store	26%	44%	11%
Order online	29%	49%	14%
Use a shopping centre app	31%	32%	9%
Go into shops	37%	48%	9%
Compare prices on a mobile phone when in or around a store	39%	37%	8%
Search a social networking site/access blogs for feedback and comments on products	42%	35%	8%

● Atleast once a week   ● Atleast once a month   ● Every 2-3 months

Source: CBRE Asia Pacific Consumer Survey, 2014.

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8. Internet and Mobile Association of India (IAMAI)
9. A retail consumer survey was conducted by CBRE in August 2014 to identify current and future shopping trends across the Asia Pacific (APAC) region. India was a part of this exercise, with a total of 1,000 respondents from the Delhi National Capital Region (NCR).

What will you do more often?

(Figure 26)

Visit a Physical Store

- 36%
- 38%
- 26%

Use Desktop / Laptop

- 67%
- 24%
- 9%

Use Smartphone / Tablet

- 59%
- 27%
- 14%

Use Catalogue/Mail Order

- 30%
- 39%
- 31%

● Do more often   ● No change   ● Do less often

Source: CBRE Asia Pacific Consumer Survey, 2014.

Mobiles Drive Online Boom

India has the third largest Internet user base in the world, out of which more than 50% are mobile-only internet users[10]. To leverage this, leading Indian online retailers such as Flipkart, Jabong and Myntra, are investing heavily in developing applications for their websites in expectation of generating most of their sales through mobile platforms. Myntra has further upped the ante by moving to the 'app only' model, with all major players offering special 'app only' discounts to drive traffic towards mobile sales. In our survey, we asked consumers if they shopped over mobiles / mobile applications, 31% confirmed that they shop on an app at least once a week, while another 32% said that they made a purchase at least once a month. On being asked whether comparisons were made by consumers while making in-store purchases, almost 39% of our surveyed consumers shared that they compare prices on a mobile phone in and around a store at least once a week.

Apps catching up fast...

(Figure 27)

32% Once a month
31% Once a week
14% Never
12% Less Often
9% Every 2 or 3 months
2% Don't Know
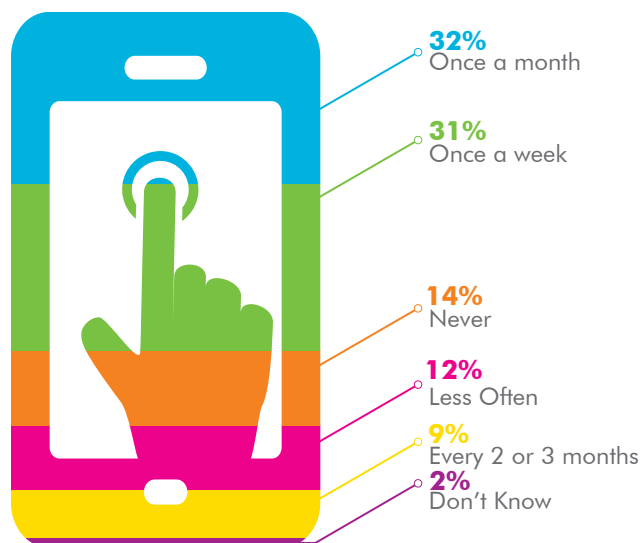
Source: CBRE Asia Pacific Consumer Survey, 2014.

Social Media – Consumers 'Like'

The use of varied online channels has resulted in consumers as well as retailers having various options of interaction available to them. Leading developments in Delhi such as Select Citywalk and DLF Promenade engage customers through their social media pages, regular mailers on mall events as well as well updated websites. Consumers also place significant emphasis on social media as almost 76% of the consumers in our survey admitted to using social media to update themselves on schemes at shopping centers. This illustrates that consumers are increasingly relying on social media to make informed choices on their purchases, perhaps influenced by social media sites that include advertisements, product reviews, new product launch announcements, etc.

Do you use social media to remain up to date with latest schemes, events and new stores atshopping centres?

(Figure 28)

15% neutral/ don't Know
76% agree
9% disagree

Source: CBRE Asia Pacific Consumer Survey, 2014.

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10. Internet and Mobile Association of India(IAMAI)

Rising Online Spends

Consumers are ready to spend more online with the initial discomfort of online retailer credibility and uncertainty around online payment security being done away with, as numerous domestic players have established their credibility in the online retail market. The entry of global players such as Amazon and Ebay has further re-affirmed the belief in the future of the Indian online retail industry. Ticket sizes are rising and people are moving online from making apparel purchases to high ticket purchases such as furniture, consumer electronics and mobile phones. As per our survey, almost 78% felt that they were likely to spend more via online shopping, compared to just about 40% responding positively to spending more at physical stores. Of those who anticipate spending more in the next two years regardless of the retail platform, most of their purchases are expected to be online. The perception of e-retail as just a cost effective medium of purchase has long been changed, with the high- end retail market creating waves via the online forum. Another interesting trend is that the rising quantum of online sales going forward is accentuated across consumers from higher-income households.

How much will you spend?

(Figure 29)

40%

39%

21%

Go into Shops

78%

18%

4%

Order Online

● More   ● No change   ● Less

Source: CBRE Asia Pacific Consumer Survey, 2014.

Use of Technology by Brick and Mortar Stores

Moving Online

In a bid to ensure greater penetration into the Indian market, particularly smaller cities, prominent global brands that were already present via the brick-and-mortar formats have started to establish their online presence. The year 2014 alone saw at least 18 such global brands moving online, including brands such as Mango, Aldo, Superdry, Nautica, Tommy Hilfiger, Nine West and Steve Madden. Players are also adopting the 'Omni-channel' with services such as buy online and collect in-store, accept customer returns and refunds for products bought online, store kiosk for browsing and payment for products.

KEY BRICK & MORTAR FASHION STORES SETTING UP ONLINE OPERATIONS^	MODE OF SETTING UP OPERATIONS (DEDICATED WEBSITE, PARTNERING WITH AN ONLINE PLAYER)
Shoppers Stop, Bata, Mango, Forever 21, Biba, Trendin (AllenSolly, Van Heusen, Per England), Major Brands (DKNY, Nine West, Charles & Keith, Aldo, Bebe etc)	Dedicated Websites
Steve Madden, Mango, Aldo, Dune London, Superdry, Puma, Vero Moda, Tommy Hilfiger, Benetton, Adidas, Nike, French Connection	Tie up with leading online players such as Flipkart, Jabong, Myntra

Source: Source: CBRE Research, Q2 2015.
^ Indicative only

Using Technology to Make 'in-store experiences' Better

The Indian shopper has evolved and shopping does not translate into standing in queues waiting for the billing. Shopping has evolved from just being about products to customers looking for a seamless experience. While Indian players might not be at par withier global counterparts, however technologies such as quick response codes (QR) codes, self-service kiosks, mobile wallets have helped in providing such an experience.

Retailers today have understood that technology is a key component of the shopping experience today. Most leading brands across segments have long been using barcodes for billing (to avoid long queues) as well as keeping a track on the stock. Technology is also being used by players for better integration between stores of a brand; thereby allowing customers a wider variety of products. For instance, in case of non-availability of a particular product in the store, apparel retailer Mango allows for checking if the product is available in some other store and gets it delivered to the customer's address. Most leading stores also send out promotional SMSs and emails to customers informing them on the latest in-store offerings.

Use of mobile wallets is also fast catching up; Noida-based Paytm, is a leading mobile wallet company with 20 million active users. The company has almost 40% of its users from tier-II and tier-III towns; as most of them don't have credit cards or even online banking facilities. Some independent shop-keepers create mobile wallets for the unbanked people using their own credit cards/online banking facilities, while physically accepting cash for the amount they deposit in the mobile wallets. This has allowed for wider access to funds as well as retail products to consumers in tier II and III cities.

Experiences from Around the Globe

As consumers today are spoilt for choice and demand not only their assortment of products but also a pleasant shopping experience, the impact of technology on bettering the 'physical store experience' should not be undervalued. Several brands across the globe have effectively incorporated the use of technology in their stores to ensure customer needs are met and time spent in their store/platform is considered as time "well spent".

'Fashion Like': Facebook is an integral part of most lifestyles today and a Brazilian fashion brand has used it to its advantage. C&A Fashion in Brazil has taken an initiative named 'Fashion Like', which displays Facebook 'likes' on small screens embedded in articles' hangers. The retailer shows the increasing tally of 'likes' received from the web across different clothing items.

Self-service Kiosks at Supermarkets: Food store chains such as Spar have implemented self-service kiosks in various countries for allowing customers to do their own billing. This allows customer's greater flexibility for choosing products as well as reduces the time spent standing in queues.

"Qthru" App: Most people would like to skip the line at a grocery store. A Seattle based startup Qthru has developed an app which allows users to download the app and input their credit card details. Post this, when in a store, shoppers can scan barcodes of the items they want and can check out by entering their pass code and scanning a QR-code at a QThru kiosk.

Customer Croudsourcing: As logistics costs are going up, retailers are looking to encourage consumers to buy local goods. SuperBrugsen in Denmark uses customer crowdsourcing to ensure that the store only stocks local items that will sell. On their website, customers can suggest particular local items they would like the store to stock, after which managers will test the products for taste and quality.

Enriching the 'Product Trial' experience: As one of the key reasons for visiting an apparel store is trying on a product, leading international brands such as Rebecca Minkoff have gone a long way in improving the use of fitting rooms. Customers can browse and select products on augmented reality touchscreens embedded in 'magic mirrors' in their interactive fitting rooms. Customers click on the mirror to have items sent directly to fitting rooms and pay for them by using their mobile phones.

Extensive Use of Data Analytics: Several global brands have gone a step ahead in trying to meet individual consumer needs, with data on consumer purchase patterns and preferences incorporated in product assortment. Warby Parker, an online eyeglasses retailer in the US has been focused on using data analytics to provide a seamless shopping experience. It has a core team that mines data and uses algorithms to continually innovate and personalize offers to improve customer experiences.

Interactive shopping experience: Yihaodian, one of China's leading online grocery chain had opened numerous virtual stores that can be accessed in certain public locations. When customers point their smartphone in the right direction at in such locations, a virtual store is displayed where items sit on shelves. Consumers can add items to their cart and get it delivered to the address of their choice.

Way Forward: Synergetic Growth between Online and Brick-and-Mortar Stores

One universal trend that Indians are embracing is online shopping, despite concerns regarding internet penetration in the country. Consequently, retailers are advised to adopt a dual-platform business model, enabling them to leverage on the marketing value of physical stores while extending promotions and sales across internet portals. Meanwhile, retailers also need to grow and evolve their in-store experiences—perhaps concentrating more on visual merchandizing and/or enhancing the sensual aspect of shopping—to continue to compete with the convenience of online shopping. Rather than focusing on combating the boom in online shopping, Indian retailers need to accept that online shopping is here to stay; and that it will remain and grow as a driver for retail sales in the country. Brick-and-mortar retailers should, therefore, focus on devising ways to ride the e-commerce wave instead. This means that barriers between online and offline retail channels must be broken; and that retailers must seek opportunities to merge the two channels together for reaping the benefits of creating an 'Omni channel', where the offline becomes the online and the online becomes the offline. A strong foundation (physical store) that is also connected to a customer-friendly, easy-to-use online shopping channel could be the secret to future success in the Indian retail market.

Definitions / Notes:

A detailed F&B analysis was undertaken by CBRE across premium high streets/shopping centers in Delhi and Mumbai across an initial set of more than 1,300 restaurants/eateries, to outline the footprint of F&B operators in these two metropolitan cities. The final analysis is limited to 843 restaurants across both cities after applying filters such as location, average cost per customer, size of the store, restaurant positioning. F&B operators with an average cost of INR 500 per person have been included, with exceptions only in the case of prominent domestic/international operators garnering a strong regional/national presence. Local-bred takeaway joints/quick bites have been excluded from the analysis. Bakeries/confectioneries with high quality offerings have been included in the analysis. Restaurants in commercial developments have not been counted in; nor have restaurants in hotels been included for the analysis.

Shopping Centers covered as a part of this analysis include:
Mumbai: High Street Phoenix (Palledium, Grand Galleria, Kyzone), Inorbit Mall, Rcity Mall and Oberoi Mall
Delhi: Ambience Mall, DLF Emporio, DLF Place, DLF Promenade, MGF Metropolitan, Epicuria, Pacific Mall and Select Citywalk

High streets covered as part of this analysis include:
Mumbai: Linking Road and Colaba Causeway
Delhi: Connaught Place, Green Park Market, Hauz Khas Village, Safdarjung Development Area, Greater Kailash-II Main Market, Khan Market and Defence Colony

Operators have been divided into the following categories based on product offering, brand value, grade, ticket size and ambience:

Quick Service Restaurants (QSRs): Operators typically offering a standardized menu, with a fast turn-around delivery time. Ticket sizes are generally low with these mass-market, self-service, fast food restaurants catering to the general public.

Café's: Operators generally offering coffee/tea and related beverages, with some type of bakery and small bites. These allow for a longer consumer stay as compared to QSR's, with a low-medium ticket size. This category would include all mass-market bakeries, confectionaries, coffee chains along with traditional cafés.

Casual Dine Restaurants (CDRs): Operators offering comparatively good quality products available at a medium-high ticket size. While this category includes table-service restaurants offering an informal dining experience, they are considerably more formal as compared to Cafés and QSR's.

Pubs and Lounges: Most establishments in this category include restaurants that serve alcoholic beverages along with an array of food options, with significant emphasis on the ambience. This category typically operates on a medium-high ticket size model.

Fine Dine Restaurants (FDRs): These are full service restaurants with separate meal courses operating on high quality décor and formally themed ambience and specially trained staff. These operate on a high ticket size model.

For undertaking an analysis of shopping centres in New Delhi, developments were classified under three categories basis quality, features and services offered by developments:

Prime Investment Grade Malls: Premium developments built by reputed developers, offering high efficiency and quality service facilities including adequate ceiling height, 24X7 power back-up, central air-conditioning, spacious and well decorated lobbies, circulation areas, good lift services, sufficient parking facilities and should have centralized building management and security systems. Further, the development would house leading global/domestic brands across luxury/bridge to luxury and high-end segments. These developments are expected to be located in well-connected areas in close proximity to the high income population catchment of the city. This category typically consists of medium-large sized developments, with majority of them being larger than 400,000 sq. ft.

Investment Grade Malls: Developments built by regional developers, offering satisfactory efficiency and service facilities including adequate ceiling height, 24X7 power back-up, central air-conditioning, spacious lobbies, circulation areas, good lift services, parking facilities and should have centralized building management and security systems. Further, the development would house leading mid-end domestic brands and select global retailers. These developments are typically located in secondary market areas (or in emerging locations) in close proximity to the mid income population catchment in the city. This category typically consists of small-medium sized developments, with majority of them being lower than 400,000 sq. ft.

Semi-Investment Grade Malls: Developments built by regional developers, offering low efficiency and may not offer service facilities including adequate ceiling height, 24X7 power back-up, central air-conditioning, lobbies, circulation areas, good lift services, parking facilities and may not have centralized building management and security systems. Further, the development would largely house local brands. These developments are typically located in secondary market areas (or in emerging locations) in close proximity to the mid/low income population catchment in the city. This category typically consists of small sized developments, with majority of them being lower than 200,000 sq. ft.

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